

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices
Priority Mail Contract 221 (MC2016-144)
Negotiated Service Agreement

Docket No. CP2016-181

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued April 28, 2017)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 221, with Portions Filed Under Seal, April 27, 2017 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3350, the Commission approved the Priority Mail Contract 221 negotiated service agreement (Existing Agreement).² On April 27, 2017, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement.

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1.

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice, and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement provides tier thresholds for average volumes that must be met to achieve particular discounted rates.³ The Amendment removes the tier thresholds and instead provides a single minimum volume commitment and a single

² See Docket Nos. MC2016-144 and CP2016-181, Order Adding Priority Mail Contract 221 to the Competitive Product List, June 6, 2016 (Order No. 3350).

³ Docket Nos. MC2016-144 and CP2016-181, Request of the United States Postal Service to Add Priority Mail Contract 221 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, May 26, 2016, Attachment B (Request).

discounted rate. Notice, Amendment at 1-2. The Amendment additionally changes a later reference to the escalation clause in section I.I to instead refer to section I.H.⁴

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail Contract 221 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Ruth Ann Abrams
Acting Secretary

⁴ Compare *id.* at 2 with Request, Attachment B at 4. The changed reference is presumably because the original section I.H was deleted with the removal of the pricing tiers, even though the Amendment does not explicitly renumber the subsequent sections.